Self Assessment

Your guide

Inland Revenue

SA/BK8

We produce a wide range of leaflets, each designed to explain a different aspect of the tax system in plain English. A full list is available from any Tax Office.

Some you might find useful are

SA/BK3 Self Assessment - A guide to keeping records for the self-employed

SA/BK4 Self Assessment - A general guide to keeping records

SA/BK5 Self Assessment - Electronic version of the Tax Return (on disk)

SA/BK6 Self Assessment - Penalties for late Tax Returns

SA/BK7 Self Assessment - Surcharges for late payment of tax.

You can get these from your local Tax Office or from the Self Assessment Orderline by

- **telephoning 0645 000 404. It is open between 8am - 10pm, seven days a week. Calls are charged at local rates**
- **faxing 0645 000 604**
- **e-mail on saorderline.ir@gtnet.gov.uk**
- **writing to PO Box 37
St Austell
Cornwall
PL25 5YN.**

We also have a Self Assessment Internet site which includes background information about Self Assessment, who it affects, their record keeping responsibilities, key dates and the Self Assessment Tax Return.

The site can be accessed on www.open.gov.uk/inrev/sa/

Your Guide to Self Assessment

This booklet includes information on

- **the tax system**
- **the records you need to keep**

and is a step-by-step guide through

- **the main Self Assessment forms you can expect to receive**
- **the key dates and events in the tax year (see page 14-15).**

It also includes some helpful tips to make it easier to follow the rules.

Tip 1

Don't be afraid to ask for help. **If you have a tax adviser, you may want to ask them about Self Assessment. If you do not have a tax adviser, you can contact your Tax Office - whose address and telephone number is on the front of your Tax Return - or you can contact one of our Tax Enquiry Centres. Their addresses are in your local telephone book under 'Inland Revenue'.**

Most Tax Offices are open to the public from 8.30am to 4.30pm Monday to Friday and some are open outside these hours. When the Tax Office is closed, you can call the Self Assessment Helpline on 0645 000 444 for general advice. The Helpline is open in the evenings and at weekends. Calls are charged at local rate.

Keeping records

By law everyone needs to keep records of their income, gains and expenditure so that they can fill in a Tax Return if they get one. A Tax Return covers one complete tax year, which runs from 6 April one year to 5 April the next (see page 13).

Tip 2

It is easier to fill in your Tax Return if you have kept good records. **Keep all your tax records in one place. It is a good idea to keep the papers for each year in a separate 'tax' file, large envelope or box.**

What is Self Assessment?

Self Assessment is a clearer and more straightforward way of working out and paying tax. It is not a new tax and does not affect the amount of tax you pay. The first Self Assessment Tax Returns were issued in April 1997 and covered the 1996-97 tax year which ran from 6 April 1996 to 5 April 1997.

Who does Self Assessment apply to?

It applies to everyone who gets a Tax Return. You need to complete a Tax Return if you are

- **self-employed**
- **a business partner**
- **a company director**
- **an employee or pensioner with more complex tax affairs**
- **a trustee or personal representative.**

Most people don't get a Tax Return and pay their tax through PAYE or other deduction at source arrangements, which carry on as before.

Tip 3

You will find it easier to manage your tax affairs if you keep them up-to-date. **If you get behind, you may have to pay interest, surcharges and penalties. If you aren't clear about what you need to do, get in touch with your Tax Office or tax adviser.**

The Self Assessment Tax Return

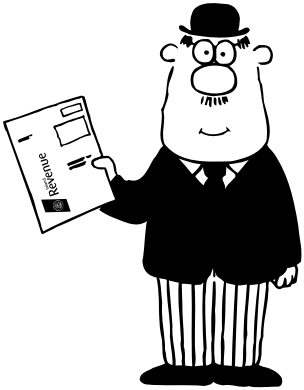
- **is tailored to your circumstances**
- **has to be filled in with figures for all your income, gains, reliefs and allowances**
- **should be sent back by 30 September if you want the Inland Revenue to work out how much tax you need to pay**
- **should be sent back by 30 September if you want the Inland Revenue to collect your tax (less than £1,000) through PAYE where possible**
- **must be sent back by (usually) 31 January or you have to pay a penalty.**

What do you get in the post?

Most Self Assessment taxpayers will get

- **an eight-page, easy-to-follow Tax Return**
- **the supplementary pages that we think you need, depending on your circumstances**
- **a step-by-step guide on how to fill in your Tax Return - called the Tax Return Guide**
- **a guide on how to calculate your own tax if you want to - called the Tax Calculation Guide.**

We send you the parts which we think you need.
If you need other parts you must ask us for them.



In April 1998 most Self Assessment taxpayers will receive the standard paper Tax Return (SA100), but the Inland Revenue will be issuing a Notice to Complete a Tax Return (SA316) instead of a paper return to certain categories of taxpayers.

We have not yet determined the exact circumstances in which this notice will be issued and no decision has yet been made as to which categories of taxpayer will be sent the Notice instead of a paper return.

However, wherever possible the Inland Revenue wish to avoid sending a paper return to taxpayers who are unlikely to use it, such as those who have previously used a substitute form of the Tax Return (such as the Electronic Version of the Tax Return (EVR) or an Inland Revenue approved paper copy) or taxpayers whose agent has submitted their returns using the Electronic Lodgement Service (ELS).

Notices to complete a Tax Return will not be issued in cases where Tax Returns are to be issued in-year. In such cases a paper Tax Return will always be issued.

Sending back your Tax Return

There are two important dates to remember

- **30 September**
- **31 January.**

30 September after the end of the tax year

Get your completed Tax Return back to us by 30 September if you want us to

- **calculate your tax bill for you**
- **collect your tax (less than £1,000) through next year's PAYE code number where possible.**

31 January after the end of the tax year

If you want to work out your own tax bill, you have until 31 January to get your return back to us.

Tip 4

Don't delay doing your Tax Return. **We know it's easy to put off filling it in, but there's really no benefit in doing so. Following these step-by-step instructions might help you make a start:**

Six easy steps to filling in your Tax Return

1. **Open your Tax Return and look inside. Decide if you are going to send it back by 30 September**

2. **Check you've got all the supplementary pages you need by filling in page two of your Tax Return. If you need extra pages to fill in, call the Self Assessment Orderline on 0645 000 404. It is open 8am - 10pm, seven days a week and calls are charged at local rate.**

3. **Get all your tax records together, such as bank and building society statements, business earnings, expenses, or accounts where appropriate. If you're on PAYE you will probably get a P60 and you may also get a copy of form P11D from your employer. If you have changed jobs, you should have a P45 Part 1A.**

4 **Fill in your Tax Return by following the guidance notes in the Tax Return Guide. Make sure you understand them and are sure of the figures you want to enter before putting pen to paper.**

5. **Please ask us for any help you need before you send it in. Details of where to get help are shown in Tip 1 on page 1 of this booklet and on your Tax Return.**

6. **Check your Tax Return once you've completed it, making sure you haven't forgotten anything, like adding your signature. Finally post it back to us so that we receive it by either 30 September or 31 January (see page 4).**

Remember

- the earlier you complete your Tax Return, the more time you'll have to get help from us if you need it
- sending in your Tax Return earlier doesn't mean you have to pay tax any earlier

Tip 5

Even if you are working out your tax bill yourself, it's not a good idea to wait until January to send in your Tax Return. **This might mean you pay the wrong amount of tax because, if you have made a mistake, we may not have enough time to correct your calculation for you before your payment is due on 31 January.**

What happens when you have sent in your Tax Return?

When we receive your Tax Return, we enter your figures into your tax record on our computer. If we spot any obvious mistakes, we correct them and tell you about them. If you do not agree with what we have done, you can ask us to reverse or amend any changes we have made.

Your Tax Calculation

If you ask us to work out your tax bill, we send you a Tax Calculation on form SA302, using your figures. If we have corrected anything, we let you know what we have done.

If you have worked out your tax bill yourself and we need to correct any of your figures, we will send you an amended Tax Calculation.

When you get the Tax Calculation, you need to

- **check that you agree with any corrections we have made**
- **check that the figures used in the Tax Calculation are correct.**

If you want to change anything, let us know straightaway so that we can sort it out quickly. At the very latest you should do it by 31 January after the end of the next tax year.

Statement of Account

We open a tax account for everyone who gets a Tax Return. You can expect to get statements

- **when there are changes to the items on your account**
- **when a payment is about to become due within the next 35 days**
- **every two months where there is an amount due between £32 and £500**
- **every month where there is an amount due that is more than £500**
- **when we have arranged for an amount of unpaid tax to be collected through PAYE**
- **when you have paid more than the total due.**

When you get your Statement of Account, check that you agree with the entries. If it shows that you have paid too much, you can either leave the money in your account or claim a repayment.

If it shows you need to pay something, make sure we receive your payment by the due date or you will be charged interest (and perhaps a surcharge).

Link between the Tax Calculation and your Statement of Account

The tax (and National Insurance contributions) shown on the Tax Calculation will appear on your tax account with us.

We will send you a Statement of Account in January with details of how to pay any unpaid tax .

If we don't receive your Tax Return in time to send you a Statement of Account of what to pay in January, we send you a reminder to pay and you need to work out for yourself how much tax is due.

You need to make sure your payment arrives by 31 January after the end of the tax year at the very latest.

Tip 6

Make a note in your diary or calendar so that you pay in good time. **You will have to pay interest, and perhaps surcharges, if you pay late.**

Tax refunds

If your Statement of Account shows you are due a refund

- **we will repay it if you have asked us to (you can do this on your Tax Return)**
- **we will credit it to your account, if you are not asking us to repay it.**

Paying the tax you owe through Pay As You Earn (PAYE)

If you are an employee, we can usually arrange to collect the tax you owe through the coming year's PAYE code. We should be able to do this if

- **the tax you owe is less than £1,000** and
- **you have sent your Tax Return back by 30 September** and
- **you have not ticked the box in your return saying that you do** not **want any tax you owe collected through PAYE.**

If we are collecting the tax you owe through PAYE, you will still get a Tax Calculation showing the tax which is due, but your Statement of Account will confirm that the tax is to be collected through PAYE.

If you have asked us to collect your tax through PAYE, but we cannot do this, we will let you know by sending you a reminder in the middle of January.

Tip 7
In January/February look out for your PAYE Notice of Coding for the coming tax year. **Check that we have included the right amount of any unpaid tax. Contact us if you would like anything explained.**

Payments on account

Some people - mainly among the self-employed - also make two payments on account for the tax year before the return for that year is due.

Payments on account are due on :

31 January **in the tax year and**
31 July **following the end of the tax year.**

Most people do not have to make payments on account. If you are an employee or you pay SC60 tax, you are unlikely to have to do so.

If you send your Tax Return in before 30 September and ask us to calculate your tax for you, we will also let you know what payments on account you will need to make for the tax year following the year of the Tax Return.

If you calculate the tax yourself then your Tax Calculation will show if you have to make payments on account for the tax year following the year of the Tax Return. For example, your Tax Calculation based on your Tax Return for 1996/97 will show if you need to make payments on account for 1997/98. If you do, it will show how much you need to pay.

Checking your Tax Return

We may ask you questions about the entries on your Tax Return. If we do, we will write to you telling you that we are opening an 'enquiry'. This will normally be within one year of the deadline for you to send back your return, but can be later if you send your return in late.

If we do enquire into your return, we will also explain what will happen and what your rights are, by sending you a booklet called 'Code of Practice 11 - Enquiries into Tax Returns by local Tax Offices', or a summary of that booklet.

FURTHER POINTS ABOUT SELF ASSESSMENT

What happens if you do the Tax Calculation yourself?

Your Tax Calculation Guide shows you how to do the calculation. After you have sent in your Tax Return we will check your tax calculation against our own. If we think it is wrong, we will send you a revised calculation.

What happens if you send your Tax Return back after 30 September but have not done the Tax Calculation?

We will still do the Tax Calculation and send it to you with a notice of any corrections we have made. But, we cannot guarantee to do this or to send you a Statement of Account in time for you to know how much to pay by 31 January. This would mean that you have to estimate how much to pay. If you pay too little, you will have to pay interest and possibly a surcharge.

Most people in this situation will get a reminder in the middle of January (form SA 309A). The reminder includes a payslip and instructions on how to pay.

What happens if you send your Tax Return back after 30 September but want us to collect the tax you owe through PAYE?

If we receive your return after 30 September, we may not be able to do this. However, if we receive your return before the end of November, we will tell you either

- **that we will be able to collect the tax you owe through PAYE. We tell you this on a Statement of Account, or**
- **that you will need to make a payment on 31 January. We tell you this on a reminder (form SA309A)**

We will definitely not be able to arrange to collect the tax you owe through PAYE if we receive your return after the end of November. In this case, you will need to pay any tax due by 31 January. Most people in this situation will get a reminder in January (form SA309A). The reminder includes a payslip and instructions on how to pay.

What happens if you have a tax adviser?

If you have a tax adviser, you have probably signed form 64-8 authorising us to send him or her copies of the forms you receive.

The most common forms which are sent to tax advisers are

- **Tax Calculation (form SA302)**
- **Penalty for a late Tax Return (form SA326)**
- **Surcharge for late payment of tax (form SA324)**
- **Determination of tax due (form SA323).**

Your tax adviser will not receive a copy of your Statement of Account, but will receive summaries of your account with us in February and April. However, if on form 64-8 you have authorised your tax adviser to receive the Statement of Account on your behalf, we will send him or her (and not you) the original paper copy.

Tax advisers registered to use the Electronic Lodgement Service (ELS)

These advisers will get paper copies of the main forms sent to you and an electronic version of the Statement of Account.

What happens if we don't receive your Tax Return on time?

The final deadline for getting your Tax Return back is normally 31 January after the end of the tax year. The deadline is shown on the front of the return.

If you don't send your Tax Return in by the deadline, you will have to pay an automatic fixed penalty of £100.

If the Tax Return is still outstanding six months later, you have to pay another £100.

There can be further penalties for late Tax Returns. For full details ask the Orderline for booklet SA/BK 6 'Self Assessment: Penalties for late Tax Returns'.

What happens if you don't pay your tax on time?

The deadline for getting your final payment to us is 31 January after the end of the tax year. This date will be shown on your Statement of Account or any reminder you receive.

If you do not pay your tax by the deadline, you have to pay interest.

In addition to interest, you have to pay a 5% surcharge on any tax which remains unpaid after 28 February.

A further 5% surcharge is imposed on any amounts still unpaid after 31 July.

For full details of surcharges, ask the Orderline for booklet SA/BK 7 'Self Assessment: Surcharges for late payment of tax'.

What is a 'Determination of tax due'?

If your Tax Return is late, you are liable to pay penalties. In addition, if we think you have not paid enough tax on time, we may issue you with a 'Determination of tax due' (form SA 323). This is our estimate of your tax bill for the year. You have no right of appeal against such a determination. The full amount of tax due that is shown in the determination remains payable and can only be changed when you send in your Tax Return. If you receive a Determination of tax due, any surcharge will be based on the amount of tax shown on it.

What about trusts and partnerships?

For partnerships, things are a little different. One partner is nominated to be responsible for the partnership Tax Return and we will correspond with that partner. But any penalties for sending the partnership return in late will be imposed on each partner. The partnership itself does not pay tax. Partners show their share of the partnership profits on their Tax Returns and pay tax on that share.

If you are the trustee responsible for the tax affairs of a trust, or the personal representative responsible for the tax affairs of someone who has died, the same system applies.

Other changes to the tax system for 1996/97 onwards

Everybody should keep records

Everyone must by law keep records of their income and their capital gains for at least 22 months after the end of the tax year to which they relate, so that they can fill in a Tax Return fully and accurately if they get one.

People who have businesses - such as the self employed and partners and those letting property - must keep their records for at least five years and ten months after the end of the tax year to which they relate

People who have not received a Tax Return should let us know if they have income or capital gains we don't know about

If we have not sent you a Tax Return and you have received taxable income and capital gains that will not be fully taxed at source, you must let us know by 5 October after the end of the tax year. We will then send you a Tax Return if necessary. If you miss that date, tell us straightaway as the amount of tax which has not been paid at the following 31 January will affect any penalties you may have to pay.

Some important dates

When?	Who is affected?	What happens?
April	**People who get a Tax Return each year.**	**Tax Returns (or Notice to Complete a Tax Return) sent out (see pages 2-3).**
31 July	**Some people. Your Tax Calculation for the previous year shows if it applies to you.**	**Second payment on account for the tax year ended on 5 April (see page 9).**
30 September	**People who want us to calculate their tax.**	**You need to get your Tax Return to us by this date (see page 4).**
	People who want us to collect their tax (below £1,000) through next year's PAYE code if possible.	**You need to get your Tax Return to us by this date (see pages 4 and 8).**
31 January	**Everyone who was sent a Tax Return by the previous 31 October.**	**This is the deadline for getting your Tax Return and any payment to us for the tax year ended on the previous 5 April.** **An automatic penalty of £100 will be charged if we have not received your return by this date (see page 11).** **Interest will be charged if the we have not received your payment by this date (see page 12).**
	Some people. Your Tax Calculation for the previous year shows if it applies to you.	**Date for first payment on account (see page 9) for the tax year ending on the following 5 April.**

28 February	**Everyone who was due to pay tax on 31 January but where the payment has not been made.**	**An automatic 5% surcharge will be charged (see page 12).**
31 July	**People whose return was due back by 31 January, but where it has not been sent in.**	**A second automatic penalty of £100 will be charged.**
	Everyone who was due to pay tax on 31 January but where the payment has not been made.	**A second automatic 5% surcharge will be charged (see page 12).**

Glossary of some terms used in this booklet

Determination

A determination is our estimate of your tax bill for the year (form SA323).

Electronic Lodgement Service [ELS]

The ELS enables agents to submit Tax Return information direct to the Inland Revenue computer via a dedicated secure gateway. The Revenue also electronically send all participating agents copies of all Statements of Accounts sent to their clients.

Electronic Version of the Return [EVR]

The EVR is a software package designed to allow you to complete your Tax Return using a personal computer, print out a paper copy of the return, sign it and send it to your Tax Office. It can be used only if you need only the core Tax Return and Employment supplementary pages.

Expenditure

Expenditure is money that is spent (or 'expended').

Income

Amounts of money earned or received over a given amount of time, e.g.

Salary	**£12,000 p.a.**
Interest on savings	**£2,000 p.a.**
Total income	**£14,000 p.a.**

Payslip

A payslip is a tear-off slip which is attached to another form and which has details of the amount of tax due. This will either have been completed by the Revenue or will need to be completed by the taxpayer. It should accompany your payment.

Penalty

A penalty is an additional sum that may be charged in certain circumstances. For example, if you do not send in your Tax Return by the deadline, if you do not keep adequate records to support your Tax Return, or if your return is incorrect due to fraud or negligence.

Personal representative	**A personal representative is the person responsible for settling the affairs of someone who has died. They may also be known as the executor or administrator.**
Statement of Account	**A statement will be sent to you in January and at various other times showing the current position of your tax (see page 7).**
Trustee	**A trustee is a person or a company who holds property in trust for the benefit of one or more beneficiaries.**
Surcharge	**If tax has not been paid by 28 February you have to pay a surcharge of 5% of the amount outstanding. There is another 5% surcharge if tax is still outstanding by 31 July (see page 12).**

Glossary of Forms

SA100 Tax Return **- This is the core Tax Return. You need to complete this and any supplementary pages that are appropriate for you.**

SA150 Tax Return Guide **- This guide has step-by-step instructions to help you fill in your Tax Return.**

SA151 Tax Calculation Guide **- This guide has step-by-step instructions and a working sheet to help you calculate your tax if you want to.**

SA300 Statement of Account **- This is a statement of your tax account (see pages 7 and 8).**

SA302 Tax Calculation **- We will send you a Tax Calculation if you have asked us to calculate your tax for you, using your figures. If you have worked out your tax for yourself, we will send you an amended Tax Calculation to show any corrections we may have made (see pages 6 and 7).**

SA309A Reminder **- We will send you this form in January**

- **to remind you that, to avoid penalties, you need to send in your Tax Return by 31 January if you have not already done so**
- **to pay any tax due by 31 January on time to avoid interest and surcharges**
- **if you have asked us to collect your tax through PAYE, but we cannot do this.**

The reminder, which is issued to individuals and trusts , includes a payslip and instructions to pay. (The partnership version, SA309B**, does not include a payslip.) If you have sent in your Tax Return and there is a payment due on 31 January we will send you a** Statement of Account **rather than a reminder.**

SA316 Notice to complete a Tax Return **- This form will be sent to taxpayers who are unlikely to use the standard paper Tax Return (see page 3).**

SA323 Determination of tax due **- This tells you our estimate of the tax you owe for the year. This will be sent to you if your Tax Return is late and if we think that you have not paid enough tax on time.**

SA324 Surcharge for late payment of tax **- We will send this form to you in March if you have sent in your Tax Return but we have not received all your tax by 28 February. It imposes a surcharge of 5% of the amount of tax outstanding. If you still owe tax six months after it was due, a further surcharge of 5% will be imposed.**

SA326 Penalty for a late Tax Return **- We will send this form to you in February if you have not sent in your Tax Return in time (usually by 31 January). It imposes a penalty of £100. If you have still not sent in your return six months later a further penalty of £100 will be imposed. If a partnership fails to send in its return on time the penalties will be imposed on each of the partners.**

SA800 Partnership Tax Return **- This is the core Tax Return for partnerships. It should be completed by the partner nominated to be responsible for the return. Some partnerships will need to complete supplementary pages and they should request these from the Self Assessment Orderline.**

SA850 How to fill in the Partnership Tax Return **- This guide has step-by-step instructions to help you fill in the Partnership Tax Return.**

SA900 Trusts Tax Return **- This is the core Tax Return for completion by the trustee responsible for the affairs of a trust and by the personal representative for the tax affairs of someone who has died.**

64-8	Authorisation to send copies of forms and notices to an agent (see page 11).
P2	PAYE Notice of coding **- This will be sent to you in January or February if you have asked us to collect the tax due through PAYE.**
P45	PAYE Particulars of employee leaving **-This form is handed to you by your employer when you leave a job.**
P11D	Return of expenses payments and benefits **- If you received expenses or benefits from your employer, they will usually give you a copy (by 6 July) of the details they provide to the Inland Revenue on form P11D.**
P60	PAYE Certificate of pay and tax deducted **-If you are in employment on 5 April, this certificate is given to you by your employer (by 31 May). It shows your total amount of pay for income tax purposes for your current employment and how much has been paid in tax and National Insurance.**
SC60	Construction Industry deduction certificate **- This form is given to a sub-contractor by the contractor when a payment is made after deduction of tax. An SC60 can cover a series of payments if the contractor and sub-contractor agree.**

The Taxpayer's Charter

You are entitled to expect the Inland Revenue

To be fair

- **By settling your tax affairs impartially**
- **By expecting you to pay only what is due under the law**
- **By treating everyone with equal fairness**

To help you

- **To get your tax affairs right**
- **To understand your rights and obligations**
- **By providing clear leaflets and forms**
- **By giving you information and assistance at our enquiry offices**
- **By being courteous at all times**

To provide an efficient service

- **By settling your tax affairs promptly and accurately**
- **By keeping your private affairs strictly confidential**
- **By using the information you give us only as allowed by the law**
- **By keeping to a minimum your costs of complying with the law**
- **By keeping our costs down**

To be accountable for what we do

- **By setting standards for ourselves and publishing how well we live up to them**

If you are not satisfied

- **We will tell you exactly how to complain**
- **You can ask for your tax affairs to be looked at again**
- **You can appeal to an independent tribunal**
- **Your MP can refer your complaint to the Ombudsman**

In return, we need you

- **To be honest**
- **To give us accurate information**
- **To pay your tax on time**

Improving Service

This booklet gives general advice and does not cover all possibilities. It is for guidance only and reflects the tax position at the time of writing. It does not affect any right of appeal.

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